

FEDERAL RESERVE BOARD

Caja de Ahorros y Monte de Piedad de Madrid
Madrid, Spain

Caja Madrid Cibeles S.A.
Madrid, Spain

CM Florida Holdings, Inc.
Coral Gables, Florida

Order Approving the Acquisition of a Bank Holding Company

Caja de Ahorros y Monte de Piedad de Madrid ("Caja Madrid"), Madrid, Spain, a foreign banking organization subject to the Bank Holding Company Act ("BHC Act"),¹ and its subsidiary holding companies, Caja Madrid Cibeles S.A. ("CMC"), also of Madrid, and CM Florida Holdings, Inc. ("CM Florida"), Coral Gables, Florida (collectively, "Applicants"), have requested the Board's approval under section 3 of the BHC Act² to acquire 83 percent of the voting securities of City National Bancshares, Inc. ("CNB") and thereby acquire control of its subsidiary bank, City National Bank of Florida ("CN Bank"), both of Miami, Florida. Caja Madrid is treated as a financial holding company within the meaning of the BHC Act. CMC and CM Florida (jointly, "FHC electors") have also filed with the Board elections to become financial holding companies on consummation of the proposal pursuant to section 4(k) and (l) of the BHC Act and section 225.82 of the Board's Regulation Y.³

¹ Caja Madrid operates an agency in the United States and is, therefore, subject to the BHC Act. 12 U.S.C. § 3106(a).

² 12 U.S.C. § 1842.

³ See 12 U.S.C. § 1843(k) and (l); 12 CFR 225.82. FHC electors have certified that CN Bank is well capitalized and well managed and have provided all the information required under Regulation Y. Based on all the facts of record, the Board has determined that these elections to become financial holding companies will become effective on consummation of the proposal if, on that date, CN Bank remains well capitalized and well managed and has a rating of at least "satisfactory" at its most recent performance evaluation under the Community Reinvestment Act ("CRA"). 12 U.S.C. § 2901 et seq.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (73 Federal Register 30,942 (2008)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in the BHC Act.

Caja Madrid, with total consolidated assets equivalent to \$269 billion, is the fourth largest depository organization in Spain.⁴ Caja Madrid operates an agency in Miami.

CNB has total consolidated assets of approximately \$2.8 billion, and CN Bank operates only in Florida. CNB is the 21st largest depository organization in Florida, controlling deposits of \$2.1 billion.⁵

Competitive Considerations

The BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a bank acquisition that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by its probable effect in meeting the convenience and needs of the community to be served.⁶

Caja Madrid does not control a U.S. depository institution, and the proposal would not result in an expansion of CNB's operations. Based on all the facts of record, the Board concludes that consummation of the proposal would have no significantly adverse effect on competition or on the concentration of resources in any relevant banking market. Accordingly, the Board has determined that competitive considerations are consistent with approval.

⁴ Spanish asset and ranking data are as of June 30, 2008, and are based on the exchange rate as of that date.

⁵ Statewide deposit and ranking data are as of June 30, 2007, and reflect merger activity through October 10, 2008.

⁶ 12 U.S.C. § 1842(c)(1).

Financial, Managerial, and Supervisory Considerations

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and depository institutions involved in the proposal and certain other supervisory factors. The Board has considered these factors carefully in light of all the facts of record, including confidential supervisory and examination information from the various U.S. banking supervisors of the institutions involved, and publicly reported and other financial information, including information provided by Applicants. The Board also has consulted with the Bank of Spain, the agency with primary responsibility for the supervision and regulation of Spanish banks, including Caja Madrid.

In evaluating the financial factors in proposals involving the formation of bank holding companies, the Board reviews the financial condition of the applicant and the target depository institution. The Board also evaluates the financial position of the pro forma organization, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

The Board has carefully considered the financial resources of the organizations involved in the proposal. The capital levels of Caja Madrid continue to exceed the minimum levels that would be required under the Basel Capital Accord and are considered to be equivalent to the capital levels that would be required of a U.S. banking organization. In addition, CNB and CN Bank are well capitalized and would remain so on consummation. Based on its review of the record, the Board finds that Applicants have sufficient financial resources to effect the proposal. The proposed transaction is structured as a cash purchase of shares. Applicants will use existing resources to fund the purchase.

The Board also has considered the managerial resources of the organizations involved. The Board has reviewed the examination records of Applicants, CNB, and CNB's subsidiary depository institution, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of other relevant banking supervisory

agencies, including the Office of the Comptroller of the Currency (“OCC”), with the organizations and their records of compliance with applicable banking law and with anti-money laundering laws. Applicants and CNB are considered to be well managed. The Board also has considered Applicants’ plans for implementing the proposal, including the proposed management after consummation.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval, as are the other supervisory factors.⁷

Section 3 of the BHC Act also provides that the Board may not approve an application involving a foreign bank unless the bank is subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank’s home country.⁸ As noted, the Bank of Spain is the primary supervisor of Spanish

⁷ Section 3 of the BHC Act also requires the Board to determine that an applicant has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act. 12 U.S.C. § 1842(c)(3)(A). The Board has reviewed the restrictions on disclosure in the relevant jurisdictions in which Caja Madrid operates and has communicated with relevant government authorities concerning access to information. In addition, Caja Madrid previously has committed that, to the extent not prohibited by applicable law, it will make available to the Board such information on the operations of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the International Banking Act, and other applicable federal laws. Caja Madrid also previously has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable its affiliates to make such information available to the Board. In light of these commitments, the Board has concluded that Caja Madrid has provided adequate assurances of access to any appropriate information the Board may request.

⁸ 12 U.S.C. § 1843(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K. See 12 CFR 225.13(a)(4). Regulation K provides that a foreign bank will be considered subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the bank, including its relationship with any affiliates,

banks, including Caja Madrid. The Board previously has determined that Caja Madrid is subject to comprehensive supervision on a consolidated basis by its home country supervisor.⁹ Based on this finding and all the facts of record, the Board has concluded that Caja Madrid continues to be subject to comprehensive supervision on a consolidated basis by its home country supervisor.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effects of the proposal on the convenience and needs of the communities to be served and to take into account the records of the relevant insured depository institutions under the CRA.¹⁰ The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, in evaluating bank expansionary proposals.¹¹

The Board has considered carefully all the facts of record, including evaluations of the CRA performance records of CN Bank, data reported by CNB under the Home Mortgage Disclosure Act ("HMDA"),¹² other information provided by Applicants, confidential supervisory information, and a public comment received on the proposal. The commenter alleged, based on HMDA data reported in 2006, that

to assess the bank's overall financial condition and its compliance with laws and regulations. See 12 CFR 211.24(c)(1).

⁹ See Caja de Ahorros y Monte de Piedad de Madrid, 87 Federal Reserve Bulletin 785 (2001).

¹⁰ 12 U.S.C. § 1842 (c)(2).

¹¹ 12 U.S.C. § 2903.

¹² 12 U.S.C. § 2801 et seq.

CN Bank had engaged in disparate treatment of minority individuals in home mortgage lending.

A. CRA Performance Evaluations

As provided in the CRA, the Board has reviewed the convenience and needs factor in light of the evaluations by the appropriate federal supervisor of the CRA performance record of the relevant insured depository institution. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.¹³

CN Bank received an “outstanding” rating at its most recent CRA performance evaluation by the OCC, as of April 6, 2006.¹⁴ Applicants have represented that they do not intend to make changes to CN Bank’s CRA program on consummation.

B. HMDA and Fair Lending Record

The Board has carefully considered the fair lending record and HMDA data of CN Bank in light of the public comment received on the proposal. The commenter alleged, based on HMDA data, that CN Bank denied a disproportionate percentage of loan applications from African Americans in the Metropolitan Statistical Areas (“MSAs”) that include Miami and Ft. Lauderdale. The Board focused its analysis on the 2006 and 2007 HMDA data reported by CN Bank.¹⁵

Although the HMDA data might reflect certain disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in certain local areas, they provide an insufficient basis by themselves on which

¹³ See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,639 (2001).

¹⁴ With the exception of community development loans, the evaluation period was January 1, 2002, through December 31, 2005, for the lending test. The evaluation period for community development loans, the investment test, and the service test was January 6, 2003, through April 6, 2006.

¹⁵ The Board reviewed HMDA data from the Miami and Ft. Lauderdale MSAs, as well as from CN Bank’s entire CRA assessment area.

to conclude whether or not CN Bank is excluding or imposing higher costs on any group on a prohibited basis. The Board recognizes that HMDA data alone, even with the recent addition of pricing information, provide only limited information about the covered loans.¹⁶ HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination.

The Board is nevertheless concerned when HMDA data for an institution indicate disparities in lending and believes that all lending institutions are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of their race or ethnicity. Because of the limitations of HMDA data, the Board has considered these data carefully and taken into account other information, including examination reports that provide on-site evaluations of compliance with fair lending laws by CN Bank. The Board also has consulted with the OCC about the fair lending compliance record of CN Bank.

The record of this application, including confidential supervisory information, indicates that CN Bank has taken steps to ensure compliance with fair lending and other consumer protection laws. CN Bank's compliance program includes self assessments, fair lending internal audits, and ongoing fair lending training for its employees. Applicants have stated that they do not intend to change CN Bank's fair lending programs.

The Board also has considered the HMDA data in light of other information, including the overall performance record of CN Bank under the CRA.

¹⁶ The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. In addition, credit history problems, excessive debt levels relative to income, and high loan amounts relative to the value of the real estate collateral (reasons most frequently cited for a credit denial or higher credit cost) are not available from HMDA data.

These established efforts and record of performance demonstrate that CN Bank is active in helping to meet the credit needs of its entire community.

C. Conclusion on Convenience and Needs and CRA Performance

The Board has considered carefully all the facts of record, including reports of examination of the CRA record of the institution involved, information provided by Applicants, comment received on the proposal, and confidential supervisory information. The proposal will result in increased credit availability and access to a broader range of financial services for customers of CN Bank. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor and the CRA performance record of the relevant insured depository institution are consistent with approval of the proposal.

Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved.¹⁷ In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Applicants with the

¹⁷ The commenter requested that the Board hold a public meeting or hearing on the proposal. Section 3 of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a written recommendation of denial of the application. The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board also may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 CFR 225.16(e), 262.25(d). The Board has considered carefully the commenter's request in light of all the facts of record. In the Board's view, the commenter had ample opportunity to submit its views and, in fact, submitted written comments that the Board has considered carefully in acting on the proposal. The commenter's request fails to demonstrate why written comments do not present its views adequately or why a meeting or hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the request for a public meeting or hearing on the proposal is denied.

conditions in this order and all the commitments made to the Board in connection with the proposal. For purposes of this transaction, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors,¹⁸ effective October 16, 2008.

(SIGNED)

Robert deV. Frierson
Deputy Secretary of the Board

¹⁸ Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Duke.